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JULIANNE M. BOWLER
COMMISSIONER OF INSURANCE

To: All Designated Statistical Agents Collecting
Homeowners Statistics in Massachusetts

From: Kevin Beagan, Director of the State Rating Bureau

Re: Massachusetts General Laws, Chapter 175, §4A
Data Reporting Requirements

Date: June 1, 2004

As you should be aware, Chapter 175, Section 4A of the Massachusetts General Laws requires certain statistical reporting for Massachusetts homeowner insurers by July 1, 2004. All admitted insurers writing homeowners insurance in Massachusetts, as well as the Massachusetts Property Insurance Underwriting Association ("FAIR Plan"), must submit to the Massachusetts Division of Insurance ("the Division") both homeowners insurance premium and loss experience. In addition, the twenty-five insurers with the largest homeowners market share and the FAIR Plan must submit such data for certain areas of the Commonwealth. These areas include standard (ISO) statistical territories, all Boston postal zip codes, postal zip codes designated by the Commissioner, and postal zip codes for credit-eligible territories.

"Credit-eligible territory" was initially defined by Chapter 175C, §1 as any territory in which "at least twenty percent of the homeowners premium averaged over the most recent three calendar years was written by the [FAIR Plan]." Chapter 175C, §4 (3) further required the Fair Plan on or before November 1, 1998 to file an amendment of the credit system applicable to homeowners insurance with the Commissioner so as to award credits based upon homeowners premiums written in postal zip codes, rather than territories. The credit system based upon zip codes was required to be effective on or before January 1, 1999. As such, it is necessary for the Division to obtain data from the statistical agents, which will show the voluntary market and FAIR Plan written premiums in Massachusetts separately by zip code and by territory for the calendar years 2001 through 2003. This notice contains the instructions for the data reporting required of statistical agents for all insurers, the top twenty-five insurers and the FAIR Plan.

The top twenty-five insurers are the top twenty-five groups with the largest homeowners market share in Massachusetts based upon statewide written premium for the most recent calendar year, i.e., 2003. Refer to Exhibit A for a listing of the top twenty-five insurers. Refer to Exhibit B for a listing of all zip codes for which reporting is required, as described above.

HOMEOWNERS STATISTICAL AGENT REQUIREMENTS:

General Requirements

Statistical agent submissions should be made no later than July 1, 2004, for calendar/accident year 2001, 2002, and 2003 experience. Any statistical agents that have difficulties complying with this date should contact State Rating Bureau Director Kevin Beagan at (617) 521-7347. The submissions must be provided as follows: CD-Rom or diskette; using the prescribed record layouts, in ASCII comma delimited format; named accordingly (refer to Exhibit H for the file naming convention); and directed to:

State Rating Bureau
M.G.L. c. 175, § 4A Data Collection
Massachusetts Division of Insurance
One South Station
Boston, Massachusetts 02110-2208

Attention: Gerald Condon
State Rating Bureau

All data reports shall be formatted and produced in accordance with the National Association of Insurance Commissioners statistical handbook. Compliance with the requirements of Chapter 175, Section 4A shall be effected through statistical agents approved by the Commissioner to act on behalf of reporting insurers. If you should have any questions regarding these requirements, please contact the State Rating Bureau directly at (617) 521-7347.

Statistical Agent Requirements

I. Statistical Agent Requirements for All Insurers - Aggregate Zip Code & Territorial Data

1. (a) Aggregate Massachusetts homeowners insurance voluntary market written premium by five digit postal zip code (see Exhibit B) by calendar year for calendar years 2001, 2002, and 2003. The aggregate homeowners insurance written premium should not be broken out separately by company group or by form, but should include all homeowners insurance forms written by its reporting company groups.

(b) Aggregate homeowners insurance voluntary market written premium by ISO Massachusetts homeowners insurance territories (see Exhibit C) by calendar year for calendar years 2001, 2002, and 2003. The aggregate homeowners insurance written premium should not be broken out

separately by company group or by form, but should include all homeowners insurance forms written by its reporting company groups.

(c) ISO, as the current statistical agent for the FAIR Plan, shall provide the aggregate homeowners insurance market written premium as described in (a) and (b) above separately by calendar year for calendar years 2001, 2002, and 2003 for the FAIR Plan.

2. A list of all company groups whose data is included in this submission. If the list of company groups varies from year to year, then provide a separate listing of company groups for each data year.

3. A list of all insurers that were affiliated for data reporting purposes and whose data is not included in this submission. Please specify the reason (s) for the missing data.

Format

The data elements in (1) above should be submitted in an Excel spreadsheet file on a CD-Rom or 3.5" diskette and should include the following fields in the order listed below:

Item (a)

Zip Code: report the appropriate five digit zip code (see Exhibit B). **Include an entry for each zip code even if there is zero experience for the zip code.**

Calendar Year 2001 Written Premium--Report the premium for policies written during the year 2001.

Calendar Year 2002 Written Premium--Report the premium for policies written during the year 2002.

Calendar Year 2003 Written Premium--Report the premium for policies written during the year 2003.

Item (b)

ISO Territory: report the appropriate two digit standard statistical territory code (see Exhibit C). If the statistical agent has any territories, which are different from the ISO territories, then the territories data should be apportioned to the appropriate ISO territory and reported using the territory codes from Exhibit C. Please include a description of any such apportionment methodology.

Calendar Year 2001 Written Premium--Report the premium for policies written during the year 2001.

Calendar Year 2002 Written Premium--Report the premium for policies written during the year 2002.

Calendar Year 2003 Written Premium--Report the premium for policies written during the year 2003.

II. Statistical Agent Requirements for All Admitted Homeowners Insurers - By Company

The statistical agents are required to submit data by company for each admitted insurer writing homeowners insurance in Massachusetts for calendar/accident year 2003. The following data elements should be included in the submission. Refer to Exhibit F for the "statistical agent - by company" submission record layout.

Company: Report the five digit NAIC company number.

Territory: Report the appropriate two digit standard statistical territory code (refer to Exhibit C). **Include an entry for each territory even if there is zero experience for the territory.**

Policy Form Group: Report "O" for owners forms, "T" for tenants forms, and "C" for condominium forms. **Include an entry for each policy form even if there is zero experience for the policy form.**

Calendar/Accident Year: Report the applicable calendar/accident year. For example, report "03" or "2003".

Written Premium: Report the premium amount for policies written during calendar year 2003.

Earned Premium: Report that portion of the written premium amount, which was in effect during calendar year 2003 for policies written in calendar years 2002 and 2003.

Written Exposure (House-Years): Report the number of house-years for policies written during the 2003 calendar year. A house-year is defined as one house insured for one year, and is calculated based on the term of the policy. For example, a policy with a term of six months would be counted as 0.5 house-years. Note that endorsements should not contribute to the number of house-years.

Earned Exposure (House-Years): Report that portion of the written house-years amount which was in effect during the 2003 calendar year for policies written in calendar years 2002 and 2003.

Incurred Losses, including all loss adjustment expenses: Report incurred losses including all loss adjustment expenses, which were incurred during the 2003 accident year. Incurred losses should be evaluated as of fifteen months from the start of the year.

Incurred Claims: Report the number of incurred claims corresponding to the incurred losses reported.

Loss Ratio: This is defined as the incurred losses including all loss adjustment expenses divided by earned premiums, rounded to three decimal places.

III. Statistical Agent Requirements for Top Twenty-five Insurers - By Postal Zip Code

The statistical agents are required to submit for the top twenty-five insurers by company the same data as in II. above, but broken down on a selective zip code basis as shown in Exhibit E.

IV. Statistical Agent Requirements for All Insurers - Aggregate Data

The statistical agents must report aggregate data by cause of loss for all their reporting insurers. This additional data reporting requirement will be used to assist the commissioner in producing an annual report with cause of loss information as described in the law. The following data elements should be included in the submission. Refer to Exhibit G for the “statistical agent - aggregate data” submission record layout.

Territory: Report the appropriate two digit standard statistical territory code (refer to Exhibit C). **Include an entry for each territory even if there is zero experience for the territory.**

Policy Form Group: Report "O" for owners forms, "T" for tenants forms, and "C" for condominium forms. **Include an entry for each policy form even if there is zero experience for the policy form.**

Calendar/Accident Year: Report the applicable calendar/accident year, i.e., “2003”.

Cause of Loss: Report the appropriate two digit cause of loss code (refer to Exhibit D). **Include an entry for each cause of loss even if there is zero experience for the cause of loss.**

Incurred Losses, including all loss adjustment expenses: Report incurred losses including all loss adjustment expenses, which were incurred during the 2003 accident year. Incurred losses should be evaluated as of fifteen months from the start of the year.

Incurred Claims: Report the number of incurred claims corresponding to the incurred losses reported.